BEFORE THE UTILITIES AND TRANSPORTATION COMMISSION OF THE STATE OF WASHINGTON

Revises Tariff WN-U2, Sheet 88R, to offer an optional service allowing the injection of biomethane gas into Puget Sound Energy's pipeline for the sale of biomethane from producers to third-party customers

Filing UG - 152164
(Filed November 12, 2015)

Dated: February 4, 2016

DAVID A. COX
Director of Operations and General Counsel
Coalition For Renewable Natural Gas
1017 L Street, #513
Sacramento, CA 95814
david@rngcoalition.com

JOHANNES D. ESCUDERO
CEO and Executive Director
Coalition For Renewable Natural Gas
1094 Tanland Drive, #102
Palo Alto, CA 94303
johannes@rngcoalition.com

BEFORE THE UTILITIES AND TRANSPORTATION COMMISSION OF THE STATE OF WASHINGTON

Revises Tariff WN-U2, Sheet 88R, to offer an optional service allowing the injection of biomethane gas into Puget Sound Energy's pipeline for the sale of biomethane from producers to third-party customers

OPENING COMMENTS BY
THE COALITION FOR RENEWABLE NATURAL GAS, INC.

I. Introduction

Pursuant to the November 12, 2015 filing by Puget Sound Energy (PSE) proposing to revise the WN-U2 Tariff Schedule 88R for PSE's natural gas service, the Coalition For Renewable Natural Gas, Inc. (RNG Coalition or 'RNGC') respectfully submits the following comments to the Utilities and Transportation Commission (UTC). For the record and concerning Docket #UG – 152164, we request that the PSE's proposed tariff revision be denied on February 11, 2016 to allow the RNG Coalition and stakeholders to work with and address outstanding concerns directly with PSE.

The Coalition for Renewable Natural Gas is the non-profit trade association providing public policy advocacy on behalf of the renewable natural gas industry in North America. We advocate for the increased utilization of renewable natural gas (RNG, biomethane or upgraded biogas) so that present and future generations will have access to domestic, renewable, clean fuel and energy supply. We represent an international membership of leading companies operating in each sector of the industry, including waste collection, waste management and recycling companies, renewable energy project developers, financiers, engineers, organized labor, law firms, technology manufacturers and service providers, gas

and power marketers, gas and power transporters, environmental advocates, research organizations, and natural gas utilities. Our members produce 90% of the RNG in North America from more than 50 projects in 16 different states. Historically, over the last thirty years, RNG has been produced by our industry to generate renewable electricity, heat and power. However, recently RNG has been recognized as the lowest carbon-intensity (CI) transportation fuel available. As such, RNG is increasingly being produced as an ultra low-carbon, renewable alternative transportation fuel that can be blended with or substitute for conventional natural gas. In 2015, RNG Coalition members produced 98% of the Cellulosic Biofuel (D3) Renewable Identification Numbers (RINs or credits generated per ethanol gallon equivalent) under the federal Renewable Fuels Standard Program (RFS2) – with production expected to nearly double by the end of 2016. Most of this RNG is injected into and transported intra- and or inter-state via the existing natural gas distribution system.

Unfortunately, as PSE was only able to accommodate a meeting with RNG Coalition Staff and stakeholders yesterday, we have not had sufficient time to fully evaluate and respond to the practical and legal implications of the proposed tariff revision. Respectfully, we submit the following comments on behalf of the renewable natural gas industry to request that PSE's tariff be denied on February 11, and rescheduled to afford stakeholders the opportunity to work directly and more comprehensively with PSE to resolve outstanding concerns with their proposed tariff.

We appreciate the Utilities and Transportation Commission's (UTC) engagement and consideration of our comments. We look forward to the opportunity to work with PSE and interested stakeholders to achieve increased development, pipeline injection, transportation,

and utilization of RNG in the State of Washington.

II. Description of Service

For reasons articulated in our introduction the RNG Coalition looks forward to working with PSE and to fully supporting the *purpose*[1] and intent of PSE's filing, to the extent that a tariff revision will actually *encourage the production of renewable sources of natural gas such as biomethane*[2].

Similarly, the RNG Coalition looks forward to working with PSE and the UTC to ensure that a tariff revision actually a) provides an option for RNG suppliers to inject biomethane into PSE's distribution system, b) provides an opportunity for RNG suppliers to sell biomethane to end-use customers, and c) provides an opportunity for RNG suppliers to maximize the value of biomethane[3].

III. Availability

We believe provisions set forth in the Availability section of contradict the purpose and intent of the proposed tariff. Perhaps this provision was drafted to benefit and codify PSE's existing relationship with King County, but restricting pipeline access only to RNG suppliers who enter into a Service Agreement with PSE for a minimum term of ten years[4], and or only to RNG producers who supply more than 100,000 therms[5] on an annual basis will limit the number of projects that interconnect with PSE's pipeline and discourage the production of

[1] PSE Cover Letter, UG – 152164, at 1-2.
[2] Ibid, at 1.
[3] Ibid, at 2.
[4] PSE Tariff, at 188R.
[5] Ibid.

smaller RNG projects in Washington State, for reasons not articulated in the proposal.

Respectfully, we request that the UTC deny PSE's tariff revision proposal on February 11 to enable RNG industry stakeholders to work with PSE to address these issues, to amend and file a request for an appropriate tariff revision accordingly.

III. Established California Public Utilities Commission Biomethane Standards

We also strongly object to the concentration standards for various gas constituents required in PSE's proposed Gas Quality Agreement. Admittedly, the PSE proposed standards are modeled after the human health and safety, and pipeline and facility safety and integrity standards recently adopted by the California Public Utilities Commission (CPUC)[6]. Before moving forward to further consider and potentially approve a proposed tariff that is modeled after those recently established in California, the UTC should closely consider the following:

A) purpose and intent of PSE's proposed filing to encourage production of RNG

B) problems with patterning Washington RNG pipeline injection standards after CA

C) preferred pipeline injection standards (other states) that encourage RNG production

A. The purpose and intent of PSE's proposed filing. The RNG Coalition wants to believe that the purpose and intent for this filing and proposed tariff revision is to encourage the production of renewable sources of natural gas (RNG), to enable suppliers (producers, developers) to inject RNG into PSE's distribution system and to make RNG available as a product for sale to prospective end-use customers. We agree with PSE that a tariff – albeit an

[6] PSE Cover Letter, at 2.

appropriately crafted tariff - will enable RNG suppliers to maximize the environmental and economic value of biomethane. The RNG Coalition is hopeful that the proposed tariff revision, and specifically the pipeline injection and gas constituent standards patterned after the regulations adopted in California, are indicative of a general desire by PSE to establish proper human health and safety and pipeline facility safety and integrity protocol. If that be the case, the RNG Coalition supports this direction, but would like to work with PSE to make the necessary adjustments to the non-human health and safety related standards that, as is, will make it virtually impossible for RNG to be injected into PSE's distribution systems. Recent history relative to the adoption of California's biomethane pipeline injection regulations should prove helpful for context, to underscore our point and better understand our position.

B. The problems with patterning Washington's RNG pipeline injection standards after California. In 1988 a vinyl chloride (carcinogen) leak from a hazardous waste landfill in southern California caused large public outcry and created a perfect politician-celebrity opportunity for then Senator Tom Hayden and his wife (Jane Fonda) to step-in and 'save the day'. Hayden passed legislation that resulted in the natural gas utility companies adopting tariffs that effectively banned the injection of all landfill gas into California's natural gas pipelines, not just from hazardous waste landfills. In 2011, the RNG Coalition's Executive Director interviewed former Senator Hayden, who candidly shared that he expected the CPUC and Energy Commission to ferret out the details. Without an industry advocate to ensure proper regulatory implementation of legislation in California, those details were never processed. Consequently, the RNG industry developed elsewhere across the country, constructed RNG projects and interconnected them with natural gas pipelines virtually

everywhere except California. In 2011, the RNG Coalition was responsible for the introduction of Assembly Bill 1900 (AB 1900) - legislation to amend the existing quarter-century old statute. The intent of the bill, introduced by Assemblymember Mike Gatto and signed into law by Governor Jerry Brown, was to distinguish the difference between hazardous and non-hazardous landfills and create new human health and safety, and pipeline and pipeline facility safety and integrity standards, and to promote the in-state development and injection of RNG from a variety of sources. Throughout nearly three years of regulatory proceedings, rhe RNG Coalition worked diligently with the California Air Resources Board (ARB) and the Office of Environmental Health Hazard Assessment (OEHA) to develop and arrive at consensus standards for gas constituents and testing and monitoring protocols related to human health and safety. In our final comments, we asked that the CPUC defer to and adopt ARB/OEHHA's recommendations.

The RNG industry's point of contention exists in California, and for purposes of PSE's proposed tariff revision in Washington, not with the aforementioned human health and safety standards, but with the minimum heating value requirement and purported pipeline and pipeline facility safety and integrity standard specifically concerning siloxane levels. Ironically, since the adoption of regulations implementing AB 1900, a bill designed to promote the development and increased utilization of in-state RNG, not one single RNG project has been constructed, nor has any RNG been injected into California's natural gas pipeline system. Herein lies the first problem with patterning Washington's pipeline injection requirements after California. The net effect would be in direct conflict with the purported purpose of the tariff revision, and discourage the production of renewable natural gas, and eliminate pipeline injection as a viable option for RNG suppliers in Washington to transport

and deliver their product to prospective end-users, and prevent them from maximizing the environmental and economic value of RNG.

Second, it would not make sense to pattern Washington's RNG injection standards after California's, when California's regulations are on the brink of being changed. Concerning heating value, the RNG Coalition has consistently communicated the fact that RNG lacks the higher-chain hydrocarbons that give a gas its heat content or value. In order to achieve a 990 btu minimum heating value requirement, RNG would have to be blended with another gas that contains higher-chain hydrocarbons – like propane, or even conventional natural gas. This is very costly, and in some cases the costs are prohibitive. Furthermore, California is the only state with a 990 btu minimum heating value requirement. Most other states require a heating value between 950 – 975.

Concerning siloxanes, California's standards are the most stringent. Throughout the US, siloxanes are not typically listed in natural gas pipeline quality specifications. In the few instances where there is a siloxane standard, they are achievable. The current siloxane standard required by SoCalGas and PG&E in California are so stringent that engine manufacturers will not guarantee their equipment to remove siloxanes to the prescribed standard. Compounding the issue is the fact that the siloxane standard is set at levels below most laboratories ability to consistently detect. From a testing, monitoring and reporting perspective, this flaw begs the fundamental question – "how can you enforce, much less monitor or measure something you cannot consistently detect?" From a developer's perspective, if you fail to meet the prescribed siloxane standard a certain number of times in a given period, your entire revenue stream (RNG) is shut out of the pipeline. If an engine or

technology manufacturer will not guarantee project equipment will reduce siloxanes to the required level, then the developer cannot guarantee a potential financier a consistent revenue stream or opportunity to predictably realize a return on the investment – which is why no RNG projects have been constructed in California to date since the AB 1900 pipeline injection regulations were adopted.

In recognition of these facts, the CPUC has asked the RNG Coalition in December 2015 to provide empirical data to substantiate an adjustment to the heating value requirement and siloxane standard. The RNG Coalition is nearing completion of this project and hopes to achieve a reduction of the current minimum heating value requirement and siloxane standard in California as a result.

Similarly, we look forward to working with PSE and UTC to achieve consensus on the exact RNG pipeline injection standards, including for heating value and siloxanes, to encourage increased development, pipeline injection, transportation and utilization of in Washington.

C) preferred pipeline injection standards (other states) that encourage RNG production. Rather than adopting pipeline injection standards patterned after a state (California) that has impeded the development of RNG projects and realized zero RNG pipeline injection as a result, we strongly urge the UTC and PSE to work with the RNG Coalition and industry to instead adopt pipeline injection standards reflective of other states that actually support RNG project development, pipeline injection and realize the associated environmental and economic benefits. In a subsequent filing we look forward to providing the information we are preparing for the CPUC, including a list of the minimum heating value and siloxane standards from natural gas utility pipeline companies, many of whom

have safely and successfully transported RNG for more than 30 years, from the more than 50 RNG projects currently operating in the United States.

IV. Conclusion

The Coalition For Renewable Natural Gas appreciates the opportunity to provide comments responding to Puget Sound Energy's proposal to revise their natural gas service WN-U2 Tariff Schedule 88R. Respectfully, and for reasons detailed above, we request that the UTC consider PSE's purpose for filing a tariff revision, the problems with adopting RNG pipeline injection standards patterned after California, and deny PSE's proposed tariff revision on February 11, 2016 to allow the RNG Coalition and stakeholders more time to work directly with PSE and UTC to resolve our industry's outstanding concerns.

This concludes the Coalition For Renewable Natural Gas' Comments.